

THE ARC OF MOREHOUSE

Financial Statements
For the Years Ended June 30, 2014 and 2013

THE ARC OF MOREHOUSE
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

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HUFFMAN & SOIGNIER

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The Arc of Morehouse
Bastrop, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of **The Arc of Morehouse** (a nonprofit organization, the Association), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

Board of Directors
The Arc of Morehouse

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

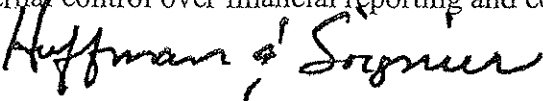
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Morehouse as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining schedules of financial position and combining schedules of activities on pages 15 – 18 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



(A Professional Accounting Corporation)

March 31, 2015

FINANCIAL STATEMENTS

THE ARC OF MOREHOUSE
STATEMENTS OF FINANCIAL POSITION

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS		
Cash and Cash Equivalents	\$ 349,237	\$ 480,761
Investments	105,653	53,783
Accounts Receivable		
Services (net of allowance for doubtful accounts of \$66,183 and \$9,384, respectively)	314,588	307,118
Other	-	720
Prepaid Expenses	24,653	16,919
Fixed Assets	1,152,355	1,060,545
Accumulated Depreciation	<u>(762,302)</u>	<u>(707,241)</u>
TOTAL ASSETS	\$ <u>1,184,184</u>	\$ <u>1,212,605</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$ 10,756	\$ 10,745
Accrued Payroll and Taxes	42,246	36,735
Other Accrued Liabilities	<u>5,836</u>	<u>5,518</u>
Total Liabilities	58,838	52,998
Net Assets		
Unrestricted	<u>1,125,346</u>	<u>1,159,607</u>
Total Net Assets	<u>1,125,346</u>	<u>1,159,607</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,184,184</u>	\$ <u>1,212,605</u>

The accompanying notes are an integral part of these financial statements.

**THE ARC OF MOREHOUSE
STATEMENTS OF ACTIVITIES**

	<u>Year Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Support, Revenue and Gains		
Intergovernmental Revenue	\$ 1,498,426	\$ 1,616,649
Program Receipts	325,671	299,778
United Way	2,509	1,181
Donations	-	2,616
Memberships	2,445	720
Interest	3,225	3,578
Miscellaneous	1,497	1,081
Total Support, Revenue and Gains	<u>1,833,773</u>	<u>1,925,603</u>
Expenses		
Program Services		
Adult Habilitation	282,276	255,757
Contract Services	117,079	117,045
Supported Living	531,939	583,435
East Morehouse Community Home	263,353	237,328
Crossett Road Community Home	298,464	289,712
Total of Program Services	<u>1,493,111</u>	<u>1,483,277</u>
Supporting Services		
General and Administrative	<u>374,923</u>	<u>374,655</u>
Total Expenses	<u>1,868,034</u>	<u>1,857,932</u>
Increase (Decrease) in Net Assets	(34,261)	67,671
Net Assets at Beginning of Year	<u>1,159,607</u>	<u>1,091,936</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,125,346</u>	<u>\$ 1,159,607</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	Program Services					Total Program Services	Supportive Services	Total
	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services East Morehouse	Crossett Road		General and Administrative	
Salaries	\$ 143,096	\$ 101,553	\$ 402,606	\$ 121,987	\$ 137,210	\$ 906,452	\$ 188,970	\$ 1,095,422
Payroll Taxes and Fringe Benefits	18,079	4,096	50,457	15,239	15,711	103,582	40,107	143,689
Total Salaries and Related Expenses	161,175	105,649	453,063	137,226	152,921	1,010,034	229,077	1,239,111
Bad Debts	20,010	-	36,789	-	-	56,799	-	56,799
Consultants	-	-	4,125	6,883	7,531	18,539	-	18,539
Data Processing	-	-	1,055	-	-	1,055	10,948	12,003
Dues and Subscriptions	-	-	921	-	-	921	9,563	10,484
Food and Client Needs	-	519	1,543	26,492	34,358	62,912	-	62,912
Insurance	18,437	1,453	7,472	5,569	4,691	37,622	29,766	67,388
Maintenance	10,752	-	1,725	9,647	8,618	30,742	18,156	48,898
Office	1,905	-	1,505	282	-	3,692	11,709	15,401
Postage	-	-	186	-	-	186	1,896	2,082
Professional Fees	-	-	2,218	-	-	2,218	17,921	20,139
Public Awareness	3,736	-	859	-	-	4,595	9,212	13,807
Supplies	639	9,458	453	506	868	11,924	5,333	17,257
Taxes and Licenses	2,074	-	7,529	4,831	4,807	19,241	1,436	20,677
Telephone	-	-	807	811	424	2,042	9,049	11,091
Training	-	-	-	50,294	64,418	114,712	-	114,712
Transportation	30,714	-	3,183	5,129	4,239	43,265	12	43,277
Travel and Conventions	1,867	-	5,115	1,114	452	8,548	918	9,466
Utilities	7,968	-	498	6,104	3,634	18,204	10,727	28,931
Total	259,277	117,079	529,046	254,888	286,961	1,447,251	365,723	1,812,974
Depreciation	22,999	-	2,893	8,465	11,503	45,860	9,200	55,060
TOTAL FUNCTIONAL EXPENSES	\$ 282,276	\$ 117,079	\$ 531,939	\$ 263,353	\$ 298,464	\$ 1,493,111	\$ 374,923	\$ 1,868,034

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

	Program Services			Residential Services		Total Program Services	Supportive Services	Total
	Adult Habilitation (Day) Program	Contract Services	Supported Living	East Morehouse	Crossett Road		General and Administrative	
Salaries	\$ 128,220	\$ 100,852	\$ 474,816	\$ 109,063	\$ 133,466	\$ 946,417	\$ 187,257	\$ 1,133,674
Payroll Taxes and Fringe Benefits	16,650	3,644	54,261	14,087	16,499	105,141	42,752	147,893
Total Salaries and Related Expenses	144,870	104,496	529,077	123,150	149,965	1,051,558	230,009	1,281,567
Bad Debts	4,535	-	4,849	-	-	9,384	-	9,384
Consultants	-	-	4,500	7,034	7,195	18,729	-	18,729
Data Processing	-	-	-	-	-	-	7,337	7,337
Dues and Subscriptions	-	-	-	-	-	-	10,799	10,799
Food and Client Needs	-	736	13,178	25,447	34,909	74,270	-	74,270
Insurance	20,665	1,280	4,234	6,543	6,048	38,770	27,449	66,219
Maintenance	10,218	31	7	5,253	5,614	21,123	16,007	37,130
Office	190	-	941	354	65	1,550	13,021	14,571
Postage	-	-	-	25	-	25	1,969	1,994
Professional Fees	-	-	1,146	-	-	1,146	17,044	18,190
Public Awareness	4,581	-	-	-	158	4,739	15,878	20,617
Supplies	11,253	10,502	67	399	569	22,790	2,932	25,722
Taxes and Licenses	1,468	-	6,540	1,797	2,336	12,141	594	12,735
Telephone	21	-	-	921	817	1,759	11,848	13,607
Training	-	-	-	46,889	63,707	110,596	-	110,596
Transportation	33,740	-	3,751	3,281	4,799	45,571	1,603	47,174
Travel and Conventions	1,934	-	6,236	1,292	297	9,759	733	10,492
Utilities	7,493	-	-	5,835	6,051	19,379	6,580	25,959
Total	240,968	117,045	574,526	228,220	282,530	1,443,289	363,803	1,807,092
Depreciation	14,789	-	8,909	9,108	7,182	39,988	10,852	50,840
TOTAL FUNCTIONAL EXPENSES	\$ 255,757	\$ 117,045	\$ 583,435	\$ 237,328	\$ 289,712	\$ 1,483,277	\$ 374,655	\$ 1,857,932

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2014	2013
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (34,261)	\$ 67,671
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	55,060	50,840
Disposal of Property and Equipment	521	-
Changes in Assets and Liabilities:		
Accounts Receivable	(6,750)	(108,019)
Prepaid Expenses	(7,734)	(2,646)
Accounts Payable	11	1,862
Accrued Payroll and Taxes	5,511	(4,445)
Other Accrued Liabilities	318	120
Net Cash Provided by Operating Activities	<u>12,676</u>	<u>5,383</u>
Cash Flows From Investing Activities		
Sales (Purchases) of Investments, Net	(51,870)	47,287
Additions to Property and Equipment	<u>(92,330)</u>	<u>(64,053)</u>
Net Cash Provided (Used) by Investing Activities	<u>(144,200)</u>	<u>(16,766)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(131,524)	(11,383)
Beginning Cash and Cash Equivalents	<u>480,761</u>	<u>492,144</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 349,237</u>	<u>\$ 480,761</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1 - Description of Organization

The Arc of Morehouse (the Association) is a nonprofit voluntary health and welfare association chartered in 1955 to promote the general welfare of mentally retarded persons residing in Morehouse Parish.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

The Association has also adopted FASB ASC 958-605, "Not For Profit Entities-Revenue Recognition." In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. At June 30, 2014 and 2013, the Association received no contributions which were either temporarily or permanently restricted.

Donations are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions received during the year whose restrictions are met in the same reporting period are treated as unrestricted contributions. The Association's policy is to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net position is available.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Cash, Cash Equivalents, and Investments

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The Association's investments at June 30, 2014 and 2013 consisted entirely of certificates of deposit with maturities greater than three months. The certificates are reported at cost which approximates fair market value.

D. Accounts Receivable and Allowance for Doubtful Accounts

All accounts receivable are shown net of allowance for doubtful accounts. Allowance for doubtful accounts is evaluated periodically and is based on age of outstanding accounts receivable and experience with customers.

E. Fixed Assets

Fixed assets are recorded at actual or historical cost. Donated assets are recorded at fair market value on the date of donation. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. The Association has a policy to capitalize fixed assets costing more than \$500. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated service lives:

	<u>Years</u>
Buildings and Improvements	15-30
Furniture and Equipment	5-10
Vehicles	3-5

F. Allocation and Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Association records its expenses in several ways: direct, indirect, and shared. Direct costs are the total costs of direct support where staff is paid for only that program. Indirect costs are of two types. Level I indirect costs are salary expenses of an employee whose activities are shared between more than one program in the same department. Level II indirect costs are salary expenses shared between more than one department. Shared expenses represent the Supporting Services costs.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

G. Programs

The Association's principal programs and primary funding sources are:

Adult Habilitation (Day Program) - The Adult Habilitation funds are used to train clients in vocational and prevocational activities and supportive services.

Contract Services - Contract Services income is derived from services performed by clients which include janitorial and other contracts.

Supported Living - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the Residential Services, helps the individual clients become more independent by providing support and training in their residences within the community.

Residential Services - Residential Services income is received from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens.

H. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code. The Association is subject to income tax examinations by the Internal Revenue Service and the Louisiana Department of Revenue; however, there are currently no examinations in progress for any tax periods. The Association is subject to income tax examinations for the years ended June 30, 2011, 2012, 2013 and 2014.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Reclassifications

Minor reclassifications have been made to the prior year financial statements to make them comparable to the current year presentation.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 3 - Fixed Assets

Fixed assets consisted of the following:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Depreciable Assets		
Buildings	\$ 541,797	\$ 558,385
Equipment	173,176	150,005
Vehicles	320,939	250,950
Improvements	100,223	84,985
Total depreciable assets	<u>1,136,135</u>	<u>1,044,325</u>
Less: Accumulated depreciation	<u>(762,302)</u>	<u>(707,241)</u>
Net depreciable assets	<u>373,833</u>	<u>337,084</u>
Nondepreciable Assets		
Land	<u>16,220</u>	<u>16,220</u>
Total nondepreciable assets	<u>16,220</u>	<u>16,220</u>
Total fixed assets	<u>\$ 390,053</u>	<u>\$ 353,304</u>

Depreciation charged to expense in 2014 and 2013 is \$55,060 and \$50,840, respectively.

Note 4 - Unused Letter of Credit

Per Louisiana Department of Health and Hospitals Guidelines, the Association maintains a \$50,000 line of credit at a local bank for operational use, if needed. The line of credit carries a variable interest rate based on the Wall Street Journal Prime Rate. The Association did not borrow from the line of credit in either the year ended June 30, 2014 or the year ended June 30, 2013.

Note 5 - Concentrations and Uncertainties

Certain financial instruments potentially subject the Association to concentration of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Association maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2014 and 2013, no bank deposits exceeded the federal insured limits.

The Association receives approximately 82% of total revenue and support from various state agencies. Federal and state budget cuts have resulted in decreased revenues for the Association in the current year and it is likely that additional cuts will be made in subsequent periods.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 6 – Retirement Plan

The Association contributes to an American Funds 403(b) retirement plan at a rate based on term of service and contingent upon agency funds being available. The Association will match up to 50% of a participant's contribution not to exceed 6% of the employee's annual salary. All full-time employees are eligible to participate. Matching contributions made by the Association for the years ended June 30, 2014 and 2013 were \$1,301 and \$1,301, respectively.

Note 7 – Subsequent Events

Management has evaluated subsequent events through March 31, 2015, the date which the financial statements were available to be issued and determined that no events occurred that require disclosure.

SUPPLEMENTAL SCHEDULES

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION**

June 30, 2014

	Program Services						Total
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services East Morehouse	Crossett Road	
ASSETS							
Cash and Cash Equivalents	\$ -	\$ -	\$ 40,080	\$ 54,504	\$ 10,425	\$ 244,228	\$ 349,237
Investments	105,544	-	109	-	-	-	105,653
Accounts Receivable	-	78,148	10,271	154,402	30,812	40,955	314,588
Prepaid Expenses	14,724	-	164	3,291	-	6,474	24,653
Due From Other Funds	1,791,135	381,690	7,382	311,271	58,448	403,777	2,953,703
Fixed Assets	1,152,355	-	-	-	-	-	1,152,355
Accumulated Depreciation	(762,302)	-	-	-	-	-	(762,302)
TOTAL ASSETS	\$ 2,301,456	\$ 459,838	\$ 58,006	\$ 523,468	\$ 99,685	\$ 695,434	\$ 4,137,887
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts Payable	\$ 108	\$ 1,498	\$ 945	\$ 700	\$ 3,216	\$ 4,289	\$ 10,756
Accrued Payroll and Taxes	9,304	5,993	3,128	13,925	4,662	5,234	42,246
Accrued Liabilities	-	-	-	-	2,525	3,311	5,836
Due to Other Funds	1,986,425	124,424	8,379	508,843	40,308	285,324	2,953,703
Total Current Liabilities	1,995,837	131,915	12,452	523,468	50,711	298,158	3,012,541
Net assets							
Unrestricted	305,619	327,923	45,554	-	48,974	397,276	1,125,346
Total Net Assets	305,619	327,923	45,554	-	48,974	397,276	1,125,346
TOTAL LIABILITIES AND NET ASSETS	\$ 2,301,456	\$ 459,838	\$ 58,006	\$ 523,468	\$ 99,685	\$ 695,434	\$ 4,137,887

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION**

June 30, 2013

	Program Services						
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		Total
					East Morehouse	Crossett Road	
ASSETS							
Cash and Cash Equivalents	\$ 140,485	\$ -	\$ 29,008	\$ 145,919	\$ 1,574	\$ 163,775	\$ 480,761
Investments	53,674	-	109	-	-	-	53,783
Accounts Receivable	-	56,148	13,120	151,489	47,122	39,959	307,838
Prepaid Expenses	11,494	1,055	164	2,194	747	1,265	16,919
Due From Other Funds	1,829,044	384,644	5,182	276,457	68,012	476,087	3,039,426
Fixed Assets	1,060,545	-	-	-	-	-	1,060,545
Accumulated Depreciation	(707,241)	-	-	-	-	-	(707,241)
TOTAL ASSETS	\$ 2,388,001	\$ 441,847	\$ 47,583	\$ 576,059	\$ 117,455	\$ 681,086	\$ 4,252,031
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts Payable	\$ 77	\$ 1,354	\$ 1,015	\$ 2,396	\$ 2,146	\$ 3,757	\$ 10,745
Accrued Payroll and Taxes	5,043	5,724	2,498	13,845	4,532	5,093	36,735
Accrued Liabilities	237	-	-	-	2,294	2,987	5,518
Due to Other Funds	2,076,801	92,849	8,414	512,007	49,872	299,483	3,039,426
Total Current Liabilities	2,082,158	99,927	11,927	528,248	58,844	311,320	3,092,424
Net assets							
Unrestricted	305,843	341,920	35,656	47,811	58,611	369,766	1,159,607
Total Net Assets	305,843	341,920	35,656	47,811	58,611	369,766	1,159,607
TOTAL LIABILITIES AND NET ASSETS	\$ 2,388,001	\$ 441,847	\$ 47,583	\$ 576,059	\$ 117,455	\$ 681,086	\$ 4,252,031

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES**

For the Year Ended June 30, 2014							
	Program Services						Total
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services East Morehouse	Crossett Road	
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 265,239	\$ -	\$ 558,298	\$ 281,001	\$ 393,888	\$ 1,498,426
Program Receipts	-	114,711	126,105	-	34,553	50,302	325,671
United Way	-	2,509	-	-	-	-	2,509
Memberships	1,915	530	-	-	-	-	2,445
Interest	3,175	-	50	-	-	-	3,225
Miscellaneous	675	-	822	-	-	-	1,497
Total Revenues and Other Support	5,765	382,989	126,977	558,298	315,554	444,190	1,833,773
Expenses							
Program Services							
Adult Habilitation	-	357,569	-	-	-	-	357,569
Contract Services	-	-	117,079	-	-	-	117,079
Supported Living	-	-	-	645,942	-	-	645,942
East Morehouse Community Home	-	-	-	-	323,309	-	323,309
Crossett Road Community Home	-	-	-	-	-	366,958	366,958
Total Program Services	-	357,569	117,079	645,942	323,309	366,958	1,810,857
Management and General	2,117	-	-	-	-	-	2,117
Total Expenses Before Depreciation	2,117	357,569	117,079	645,942	323,309	366,958	1,812,974
Depreciation	-	25,486	-	5,851	10,196	13,527	55,060
Total Expenses	2,117	383,055	117,079	651,793	333,505	380,485	1,868,034
Increase (Decrease) in Net Assets	3,648	(66)	9,898	(93,495)	(17,951)	63,705	(34,261)
Other Sources (Uses)							
Transfers In	91,367	25,727	-	46,423	10,362	13,690	187,569
Transfers Out	(95,239)	(39,658)	-	(739)	(2,048)	(49,885)	(187,569)
Total Other Sources	(3,872)	(13,931)	-	45,684	8,314	(36,195)	-
Increase (Decrease) in Net Assets	(224)	(13,997)	9,898	(47,811)	(9,637)	27,510	(34,261)
Net Assets at Beginning of Year	305,843	341,920	35,656	47,811	58,611	369,766	1,159,607
NET ASSETS AT END OF YEAR	\$ 305,619	\$ 327,923	\$ 45,554	\$ -	\$ 48,974	\$ 397,276	\$ 1,125,346

**THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES**

For the Year Ended June 30, 2013							
	Program Services						
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services		Total
					East Morehouse	Crossett Road	
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 268,588	\$ -	\$ 682,758	\$ 275,575	\$ 389,728	\$ 1,616,649
Program Receipts	-	110,596	98,030	-	40,003	51,149	299,778
United Way	-	631	550	-	-	-	1,181
Donations	-	200	1,816	200	200	200	2,616
Memberships	720	-	-	-	-	-	720
Interest	3,469	-	109	-	-	-	3,578
Miscellaneous	35	-	1,046	-	-	-	1,081
Total Revenues and Other Support	4,224	380,015	101,551	682,958	315,778	441,077	1,925,603
Expenses							
Program Services							
Adult Habilitation	-	331,164	-	-	-	-	331,164
Contract Services	-	-	117,045	-	-	-	117,045
Supported Living	-	-	-	715,862	-	-	715,862
East Morehouse Community Home	-	-	-	-	287,735	-	287,735
Crossett Road Community Home	-	-	-	-	-	353,134	353,134
Total Program Services	-	331,164	117,045	715,862	287,735	353,134	1,804,940
Management and General	2,152	-	-	-	-	-	2,152
Total Expenses Before Depreciation	2,152	331,164	117,045	715,862	287,735	353,134	1,807,092
Depreciation	-	17,495	-	13,150	10,894	9,301	50,840
Total Expenses	2,152	348,659	117,045	729,012	298,629	362,435	1,857,932
Increase (Decrease) in Net Assets	2,072	31,356	(15,494)	(46,054)	17,149	78,642	67,671
Other Sources (Uses)							
Transfers In	32,939	24,367	513	27,322	22,794	19,479	127,414
Transfers Out	(82,505)	(4,887)	(352)	(13,708)	(14,846)	(11,116)	(127,414)
Total Other Sources	(49,566)	19,480	161	13,614	7,948	8,363	-
Increase (Decrease) in Net Assets	(47,494)	50,836	(15,333)	(32,440)	25,097	87,005	67,671
Net Assets at Beginning of Year	353,337	291,084	50,989	80,251	33,514	282,761	1,091,936
NET ASSETS AT END OF YEAR	\$ 305,843	\$ 341,920	\$ 35,656	\$ 47,811	\$ 58,611	\$ 369,766	\$ 1,159,607

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

HUFFMAN & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

Francis I. Huffman, CPA
David Ray Soignier, CPA, MBA, CGMA

John Herman, CPA
Lynn Andries, CPA, CGMA
Esther Atteberry, CPA
Lori Woodard, MBA, CPA, CGMA, CITP
Fernando Cordova, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**Board of Directors
The Arc of Morehouse
Bastrop, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Morehouse (a nonprofit organization, the Association), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**The Arc of Morehouse
Bastrop, Louisiana**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we consider the deficiency described as 14-01 in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

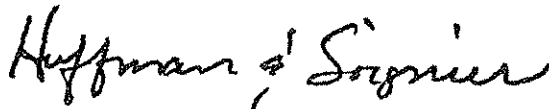
As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 14-02.

The Association's Response to Findings

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, reading "Huffman & Signier". The signature is written in a cursive, flowing style.

(A Professional Accounting Corporation)
March 31, 2015

**The Arc of Morehouse
Bastrop, Louisiana**

**Schedule of Findings and Responses
For the Year Ended June 30, 2014**

14-01 Deficiencies in Medicaid billings and collections

First reported in 2013

Finding:

As reported in the prior year, a sound system of internal control includes the maintenance of staff of a proper size and expertise to execute their functions in an accurate and timely manner. However, during the year ended June 30, 2013, the Arc of Morehouse (the Association) lost its primary employee in charge of Medicaid billing. A suitable replacement could not be immediately found and the remaining office staff was unable to keep pace with the billing process. As a result, Medicaid billings from several months remained unprocessed or in suspense at June 30, 2013 and in the subsequent period. The effects of the breakdown in billings and collections carried over into the year ended June 30, 2014 in that claims that were denied during the year were not followed up on in a timely manner. As a result, the allowance for doubtful accounts increased from \$9,398 in 2013 to \$66,183 in 2014. The failure to address the billing and collection process has adversely affected the Association's operations and could potentially cause amounts owed to become uncollectible.

Recommendation:

We recommend that the Association maintain staff of a sufficient size and expertise to address Medicaid billings and collections in a timely manner. Furthermore, we recommend that responsible staff at the Association maintain a schedule of monthly billings and collections and follow up on denied claims in a timely manner.

Management's Corrective Action Plan:

The Arc of Morehouse has hired an employee who is experienced in Medicaid billing procedures. We have also purchased a new billing software package which more seamlessly integrates with the Medicaid system and offers technical support for times when issues arise. We will continue to work to improve our billing and collection procedures.

14-02 Financial statements not filed timely

Finding:

Louisiana Revised Statute 24:513 requires that the Association prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. Due to delays associated with extended absences of the Executive Director and Business Manager, the audited financial statements were not able to be submitted within the time frame prescribed by law. Not submitting the audited financial statements timely could result in the loss of federal and/or state funding.

**The Arc of Morehouse
Bastrop, Louisiana**

**Schedule of Findings and Responses
For the Year Ended June 30, 2014**

Recommendation:

We recommend that the Association maintain proper procedures such as to allow the submission of audited financial statements in the prescribed time period.

Management's Corrective Action Plan:

In the future, we will maintain procedures to allow the submission of audited financial statements in the prescribed time.

The Arc of Morehouse
Bastrop, LA

Status of Prior Year Findings
For the Year Ended June 30, 2014

The following is a summary of the status of the prior year findings reported in the Luffey, Huffman, Ragsdale & Soignier (APAC) audit report dated January 13, 2014 covering the examination of the financial statements of The Arc of Morehouse (the Association) as of and for the year ended June 30, 2013.

13-01 Deficiencies in Medicaid billings and collections
(First reported in 2013)

Finding

During the year ended June 30, 2013, the Association lost its primary employee in charge of Medicaid billing and did not hire a replacement in a timely manner. This resulted in deficiencies in the billing and collection process that ultimately caused amounts owed to likely become uncollectible.

Status

The effects of the staff deficiency were still in effect during the year ended June 30, 2014. See finding 14-01 in the Schedule of Findings and Responses.

13-02 Financial statements not filed timely
(First reported in 2013)

Finding

Louisiana Revised Statute 24:513 requires that the Association prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. Due to delays associated with deficiencies noted in Finding 13-01, the audited financial statements were not able to be submitted within the time frame prescribed by law. Therefore, the Association was not in compliance with state law.

Status

The Association was not in compliance with the above statute for the year ended June 30, 2014, but for a different reason. The matter mentioned in this finding has been resolved.